PRICING STRATEGIES



Introduction



Pricing of merchandise should accomplish 3 objectives:

- 1. Get the product accepted in the market;
- 2. Maintain the market share as competition increases;
- 3. Earn profits
- The pricing policy offers potential customers important cues regarding the firm's overall image.
- Setting appropriate prices is tracking competitors' prices regularly.

Pricing Strategies and Practices



Everyday Low Pricing (EDLP)

EDLP strategy simply try to "Keep costs low, sell more merchandise, lower prices further and sell even more".

□ High-Low Pricing

- Charge higher than EDLP retailers.
- Occasionally reduce prices for a short period.
- Advertise frequently

- Documents that entitle the holder to a percentage price reduction from the actual purchase price of a product or service.
- Issued in newspaper, with the product.

Rebates

- A portion of the purchase price is returned to the buyer.
- Customer send the proof of purchase to the manufacturer → manufacturer mails the rebate → to customers

Leader Pricing

Selling a product (leader) at a substantially low price to generate customer traffic and increase the sale of complementary products in the store.

□ Price Bundling

- Distinct items from different lines of merchandise, are offered together at a special price.
- Increase the volume of sales as well as the traffic at the retail store.
- Remove less desirable merchandise from the store.

Multiple-Unit Pricing

Occurs when the price of each unit in a multiple-unit package is less than the price of each unit if it were sold individually.

□ Price Lining

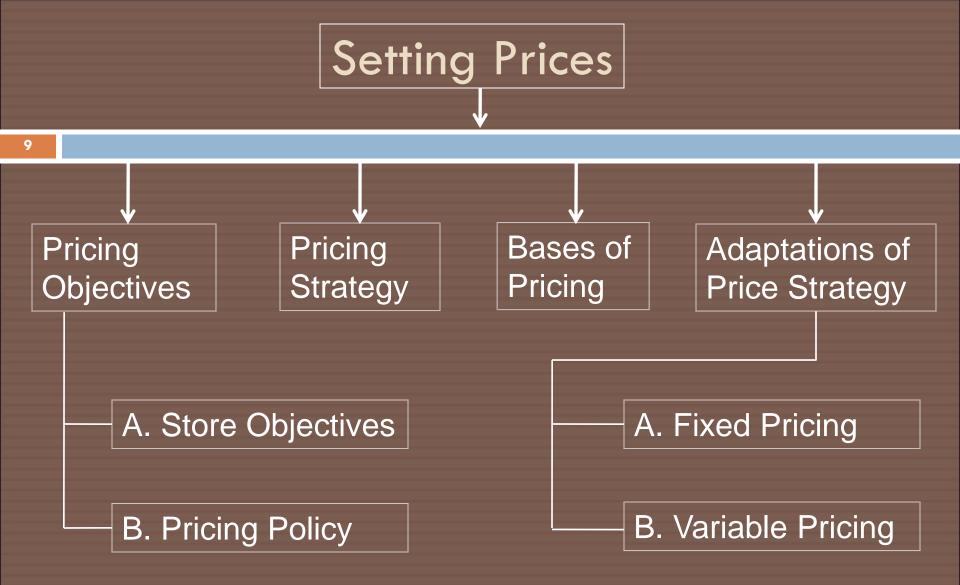
Involves establishing a specific number of price points for each merchandise classification.

Odd Pricing

The practice of setting retail prices that end in an odd number or just under an even rupee value.

Factors affecting Pricing Decisions

- Merchandise
- Location
- Promotion
- 🗆 Credit
- Customer Services
- Store Image
- Legal Constraints
- Other Environmental Factors



Pricing Objectives

A. Store Objectives

- Sales
- Profit
- Return on Investment (Rol)
- Early Recovery of Cash
- B. Pricing Policy
 - Build Volume
 - Build Image
 - Balance Price and Value

Pricing Strategy

- □ Skimming
- Penetration
- 🗆 Bargain

Bases of Pricing

Demand

Cost

Competition

Adaptations of Price Strategy

A. Fixed Pricing

- Customary
- One Price
- Odd Pricing
- Multiple-unit Pricing
- Price Lining

B. Variable Pricing

- High-Low
- Flexible Pricing
- Leader Pricing
- Bait and Switch
- Bundling
- Private Label

Highest possible profit to skillful price

- Determining purchase price is a weapon to earn customer loyalty
- Pricing decisions role of higher management
- □ <u>Retail Pricing</u>
 - Price lining will be the subject
- Markup

A critical component of the retail mix, can refer to individual units, groups, or classifications, department's, store's or an entire division.

□ <u>Repricing</u>

Price reduction, or markdowns, a critical element in the pricing mix.
<u>Structuring Price Lines:</u>
<u>Price Range</u>
Denotes the spread from highest to to lowest prices carried

<u>Price Zone</u>

A series of price lines, when more than 2 price lines are stocked, a price zone exists.

Retail = (Cost + Mark up) (100%) (100%) Markdown - ?

PoS Markdown

- Electronically programmed temporary markdowns which are taken at the cash register.
- Allow the retailer to take markdowns only when the merchandise is sold.
- Do not increase OTB

Thank You